

Message Text

CONFIDENTIAL

PAGE 01 STATE 091570

62

ORIGIN EUR-12

INFO OCT-01 ISO-00 SSO-00 SS-15 EB-07 INR-07 INRE-00 PM-04

L-03 SP-02 /051 R

DRAFTED BY EUR/CAN:DAKRUSE:RM

APPROVED BY EUR/CAN:JHROUSE

----- 095555

O 152342Z APR 76

FM SECSTATE WASHDC

TO AMEMBASSY OTTAWA IMMEDIATE

C O N F I D E N T I A L STATE 091570

STADIS////////////////////////////////////

E.O. 11652: GDS

TAGS: MILI, CA

SUBJECT: LOCKHEED LRPA

REF: STATE 89232

1. FOLLOWING DISCUSSION BETWEEN CANADIAN WORKING-LEVEL TEAM AND US DOD OFFICIALS IN PENTAGON MORNING OF APRIL 15, THE FOLLOWING DRAFT BRACKETED TEXT ON US ASSURANCES RE LOCKHEED LRPA SALE HAS EMERGED. STATE, TREASURY AND OTHER APPROPRIATE US AGENCIES WILL BE REVIEWING TEXT FURTHER WITH VIEW TO OBTAINING FULLY-COORDINATED US POSITION ASAP. CANADIAN TEAM PLANS TO RETURN TO WASHINGTON ON TUESDAY, APRIL 20 TO REACH FINAL AGREEMENT ON SATISFACTORY TEXT.
2. BEGIN TEXT: "CANADIAN PURCHASE OF LOCKHEED LONG RANGE PATROL AIRCRAFT (LRPA).

"A. GENERAL. THE FOLLOWING IS THE POSITION OF THE USG TOWARD CANADA'S INTENDED PURCHASE OF 18 LOCKHEED P3 LRPA AIRCRAFT AND THE PROPOSED CONTRACT BETWEEN THE CANADIAN GOVERNMENT AND THE LOCKHEED AIRCRAFT CORPORATION.

"B. LOCKHEED'S FINANCIAL SITUATION. WITH RESPECT TO LOCKHEED'S OVERALL FINANCIAL VIABILITY, ITS ABILITY TO CONTINUE AS A CORPORATION AND TO FULFILL THE TERMS OF ITS PROPOSED CONTRACT WITH THE CANADIAN GOVERNMENT, THE US EMERGENCY
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 091570

LOAN GUARANTEE BOARD (ELGB) AND THE US DEPARTMENT OF

DEFENSE HAVE RECENTLY REVIEWED LOCKHEED'S FINANCIAL POSITION AND HAVE EXPRESSED CONFIDENCE IN LOCKHEED'S PROSPECTS. THE FOLLOWING FACTORS ARE RELEVANT:

"1) IT APPEARS THAT LOCKHEED WILL BE ABLE TO PAY BACK ITS \$195,000,000 GUARANTEED LOAN BEFORE THE ELGB'S STATUTORY AUTHORITY EXPIRES AT THE END OF 1978;

"2) LOCKHEED'S FINANCIAL PROJECTIONS APPEAR TO BE REALISTIC;

"3) LOCKHEED APPEARS TO BE FINANCIALLY HEALTHIER THAN SIX MONTHS OR ONE YEAR AGO;

"4) THE USG IS UNAWARE OF ANY CONTRACTS HAVING BEEN CANCELLED AS A RESULT OF RECENT PUBLICITY REGARDING PAYMENTS TO FOREIGN OFFICIALS;

"5) APPROXIMATELY 60 PERCENT OF LOCKHEED'S SALES ARE TO THE US DEPARTMENT OF DEFENSE. NO SUBSTANTIAL CHANGE IN THE VOLUME OF THIS PROCUREMENT IS ANTICIPATED AND LOCKHEED CAN THUS ANTICIPATE A VERY SUBSTANTIAL CASH FLOW.

"ALL THINGS CONSIDERED, IT IS THE PRESENT JUDGMENT OF THE USG THAT THE PROSPECTS ARE FAVORABLE FOR LOCKHEED TO CONTINUE AS A VIABLE CORPORATION AND THAT NONE OF THE MAJOR PARTIES CONCERNED WOULD HAVE AN INTEREST IN PRECIPITATING THE DEMISE OF THE CORPORATION.

"C. MUTUALITY OF INTERESTS. THE USG SHARES WITH THE CANADIAN GOVERNMENT A STRONG INTEREST IN THE SUCCESSFUL COMPLETION OF THE PROPOSED CANADIAN PROCUREMENT OF 18 LRPA AIRCRAFT. IN THE VIEW OF THE USG, THE ACQUISITION OF THESE AIRCRAFT WILL SUBSTANTIALLY ENHANCE CANADA'S ASW PATROL CAPABILITY, IMPROVE NORTH AMERICAN DEFENSE ARRANGEMENTS, CONTRIBUTE TO NATO'S OVERALL SECURITY AND THUS IS IN THE BEST INTEREST OF THE US. THE PROPOSED CANADIAN PURCHASE WILL COMPLEMENT THE PURCHASE OF A LARGE NUMBER OF LOCKHEED MARITIME PATROL AIRCRAFT PLANNED BY THE USG AND SHOULD WORK TO THE MUTUAL ADVANTAGE OF THE TWO GOVERNMENTS (IN SUCH AREAS AS PRICE AND DELIVERY).

"IN RECOGNITION OF THIS MUTUALITY OF INTEREST, THE USG CONFIRMS (ITS INTEREST IN SEEING) (ITS INTENTION TO SEE) THAT ITS P3 AND S3 AIRCRAFT AND THE CANADIAN LRPA ARE PURCHASED FROM LOCKHEED AND DELIVERED AS PLANNED. TOWARD THIS END IT INTENDS (TO THE MAXIMUM EXTENT PERMISSIBLE UNDER US LAW) TO FACILITATE THE ACHIEVEMENT OF CANADIAN CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 091570

INDUSTRIAL INVOLVEMENT PROVIDED FOR IN THE PROPOSED LOCKHEED CONTRACT BY:

"1) (WAIVING RECOVERY OF ALL USG RESEARCH AND DEVELOPMENT COSTS IN RESPECT OF THE CANADIAN LRPA CONTRACT ON THE UNDERSTANDING THAT THERE WILL BE A RECIPROCAL WAIVER BY THE CANADIAN GOVERNMENT OF ALL ITS RESEARCH AND DEVELOPMENT COSTS ASSOCIATED WITH THE LRPA IN RESPECT OF USG PURCHASES OF ASW TYPE OF AIRCRAFT AND SUPPORTING ELEMENTS

WHICH INCORPORATE TECHNICAL DATA AND INVENTIONS OWNED OR CONTROLLED BY THE CANADIAN GOVERNMENT.),

"2) PERMITTING THE RENT-FREE USE OF USG PRODUCTION AND RESEARCH PROPERTY (IN ACCORDANCE WITH NORMAL TERMS AND CONDITIONS GOVERNING SUCH USE.),

"3) PERMITTING A SHIFT IN THE MANUFACTURE OF COMPONENTS FROM THE US TO CANADA, AS MUTUALLY AGREED TO BETWEEN THE US AND CANADA, (PROVIDED THERE IS NO ADVERSE IMPACT ON COSTS OR DELIVERY OF P-3 AND S-3 AIRCRAFT PROCURED BY THE USG), AND

"4) AGREEING TO DUTY-FREE ENTRY INTO THE US OF CANADIAN-MANUFACTURED COMPONENTS INCORPORATED IN P-3 TYPE OF AIRCRAFT SOLD BY LOCKHEED TO CANADA OR OTHER COUNTRIES.

"D. POSSIBILITY OF LOCKHEED FINANCIAL PROBLEMS. IF A SITUATION WERE TO OCCUR INVOLVING VOLUNTARY OR INVOLUNTARY REORGANIZATION, OR BANKRUPTCY OF LOCKHEED, THE USG, RECOGNIZING THAT IT IS IN ITS BEST INTEREST TO DO SO, WILL, (TO THE MAXIMUM EXTENT PERMISSIBLE UNDER US LAW) ACT JOINTLY WITH CANADA TO OBTAIN FOR CANADA ADVANTAGES AND CONSIDERATIONS NO LESS FAVORABLE THAN THOSE THAT MIGHT BE OBTAINED BY THE US WITH RESPECT TO ITS OWN DEFENSE PROCUREMENT CONTRACTS. IN PARTICULAR,

"WITH RESPECT TO DELIVERY:

"1. IN ITS DETERMINATION TO SEE THAT ITS AIRCRAFT AND THOSE OF CANADA ARE DELIVERED EXPEDITIOUSLY, THE USG WILL MAKE EVERY EFFORT TO ENSURE THAT ALL MEASURES TAKEN TO OBTAIN THE PRODUCTION OF P-3 AND S-3 AIRCRAFT FOR THE US NAVY WILL ALSO BE APPLIED TO MAINTAIN FOR CANADA, PRODUCTION OF THE LRPA IN ACCORDANCE WITH ITS PROPOSED CONTRACT WITH LOCKHEED;

"2. THE USG WILL (ENDEAVOR TO) WORK OUT AN EQUITTABLE DOVETAILING OF THE PRODUCTION OF ITS OWN P-3 AIRCRAFT AND THE CANADIAN LRPA WITH A VIEW TO ASSURING DELIVERY OF BOTH

CONFIDENTIAL

PAGE 04 STATE 091570

THE CANADIAN AND US AIRCRAFT ON A SCHEDULE AS CLOSE AS POSSIBLE TO THAT PROVIDED FOR IN THEIR RESPECTIVE CONTRACTS WITH LOCKHEED.

"WITH RESPECT TO PRICE:

"3. (IN THE EVENT OF A REQUIREMENT TO RENEGOTIATE THE PRICE OF THE CANADIAN LRPA THE USG WILL SEEK FOR CANADA TREATMENT NO LESS FAVORABLE THAN THAT WHICH THE USG OBTAINS WITH RESPECT TO ITS OWN DEFENSE PROCUREMENT CONTRACTS.) US DESIRES THIS WHILE CANADA DESIRES BELOW.

"3. (IN THE EVENT OF A REQUIREMENT TO RENEGOTIATE THE PRICE OF THE CANADIAN LRPA THE USG WILL SEEK FOR CANADA TREATMENT NO LESS FAVORABLE THAN THAT WHICH THE USG OBTAINS WITH RESPECT TO ITS OWN DEFENSE PROCUREMENT CONTRACTS. TOWARDS THIS END THE USG WILL TAKE THE STEPS NECESSARY TO ENSURE THAT COSTING PRINCIPLES SUCH AS THOSE

SET OUT IN SECTION XV OF THE US ARMED SERVICES PROCUREMENT REGULATIONS WILL BE APPLIED EQUALLY TO THE CANADIAN LRPA CONTRACT AS TO US DEFENSE PROCUREMENT CONTRACTS.)

"4. (IT WILL TAKE STEPS TO ENSURE THAT THE CANADIAN GOVERNMENT WILL NOT BE REQUIRED TO ASSUME ANY UNRECOVERED OVERHEAD OR DEVELOPMENT COSTS FOR EQUIPMENT DEVELOPED BY LOCKHEED FOR THE USG OR OTHER LOCKHEED CUSTOMERS.) CANADA DESIRES THIS--US DESIRES DELETION.

"WITH RESPECT TO CANADIAN INDUSTRIAL INVOLVEMENT:

"5. (THE USG WILL USE ITS BEST EFFORTS WITH REGARD TO FACILITATING THE CONTINUATION OF CANADIAN INDUSTRIAL INVOLVEMENT SET OUT IN PARAGRAPH C 1, 2, 3 AND 4 ABOVE).

US DESIRES THIS WHILE CANADA DESIRES BELOW.

"5. (THE UNDERTAKINGS OF THE USG WITH REGARD TO FACILITATING CANADIAN INDUSTRIAL INVOLVEMENT SET OUT IN PARAGRAPH C (1, 2, 3, 4) ABOVE, WILL CONTINUE TO APPLY." END TEXT. KISSINGER

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TEXT, POLICIES, MEETINGS, MILITARY SALES
Control Number: n/a
Copy: SINGLE
Draft Date: 15 APR 1976
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ellisoob
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE091570
Document Source: CORE
Document Unique ID: 00
Drafter: DAKRUSE:RM
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760143-0922
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760456/aaaabvin.tel
Line Count: 186
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: STADIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: STADIS
Reference: 76 STATE 89232
Review Action: RELEASED, APPROVED
Review Authority: ellisoob
Review Comment: n/a
Review Content Flags:
Review Date: 12 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12 APR 2004 by BoyleJA>; APPROVED <18 AUG 2004 by ellisoob>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: LOCKHEED LRPA
TAGS: MILI, CA, US, LOCKHEED
To: OTTAWA
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006